



Southeast Volusia Hospital District

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July __, 2013

Health Management Associates, Inc.
Attn: Mr. Peter Lawson
Executive Vice President - Development
5811 Pelican Bay Blvd., Ste. 500
Naples, FL 34108

Dear Mr. Lawson:

This letter (the "Letter of Intent") sets forth the current discussions and mutual intention to seek to complete negotiations and execute one or more agreements providing for a transaction (the "Transaction") pursuant to which (i) a subsidiary of Health Management Associates, Inc., a Delaware corporation ("HMA") (the "Straight Lease Option") or (ii) an entity jointly owned by HMA and the Southeast Volusia Hospital District (the "District"), (the "Joint Venture Option"), would lease from the District, and as applicable Bert Fish Medical Center, Inc. ("BFMC"), substantially all of the assets (other than specifically excluded assets) used in the operation of Bert Fish Medical Center (collectively, the "Hospital Facilities"), a general acute care hospital located at 401 Palmetto Street, New Smyrna Beach, FL 32168, which is licensed by the State of Florida for 112 licensed hospital beds and does business as "Bert Fish Medical Center" and their related businesses, operations and facilities (the "Hospital"), and purchase from the District or BFMC, as applicable, certain supplies, inventory, and prepaid expenses relating to the operation of the Hospital Facilities.

Following execution of this Letter of Intent, the parties would jointly determine whether the Straight Lease Option or the Joint Venture Option will be used as the structure of the Transaction. This determination will be subject to compliance with applicable State and Federal law.

Except for the "Binding Obligations" described below, this Letter of Intent does not create any binding obligation of the parties. Additional binding obligations relating to the Transactions shall arise only from the executed Definitive Agreement and would contain the terms and conditions set forth herein and other provisions customarily contained in transactions of this nature. It is contemplated that the principal terms of the Transaction, to be more fully set forth in the Definitive Agreement, would include the following:

1. Structure of Transaction; Assets to be Leased and Purchased; Excluded Assets

a) *Definitive Agreement.* The Transaction would be structured as a twenty-five (25) year ("Initial Term") lease by a newly formed Florida limited liability company, which would be, (i) under the Straight Lease Option, a wholly owned subsidiary of HMA; or (ii) under

the Joint Venture Option, a joint venture as described below (the subsidiary described in clause (i) or the joint venture described in clause (ii) being called “Lessee”), of substantially all of the assets of the District used in the operations of the Hospital Facilities and sale of certain supplies, inventory, and prepaid expenses relating to the operation of the Hospital Facilities, as set forth in a definitive lease agreement among the District, BFMC and Lessee (the “Definitive Agreement”).

i. Leased Assets. Under the Definitive Agreement, Lessee would lease among other assets: (i) real property owned by District currently being used for health care purposes; (ii) the buildings and other structures located thereon and owned by the District; and (iii) the furniture, fixtures and equipment located therein which are owned by the District (collectively, the “Leased Assets”).

ii. Purchased Assets. Under the Definitive Agreement, in addition to the lease of the Leased Assets, the District or BFMC, as applicable, would transfer, sell and convey to Lessee certain other assets related to the operation of the Hospital Facilities, which would specifically include (i) certain supplies and inventory used in the operation of the Hospital Facilities and existing as of the Closing of the Transaction (the “Inventory”) and prepaid expenses that relate to agreements assumed by Lessee at the Closing of the Transaction (“Prepaid Expenses”); (ii) contracts related to the Hospital Facilities that Lessee would agree to assume and that are specifically described on disclosure schedules to be annexed thereto; and (iii) to the extent transferable, all governmental authorizations necessary to operate the Hospital Facilities, including all Medicare and Medicaid provider numbers (the “Purchased Assets”).

The Leased Assets and the Purchased Assets are collectively referred to herein as the “Assets” and the provisions of the Definitive Agreement providing for the lease of the Leased Assets are referred to herein as the “Lease”. Lessee would assume District’s prospective rights and obligations under those contracts and leases of District related to the ordinary course operation of the Hospital Facilities.

b) Excluded Assets. The Transaction would not include, and Lessee would not lease, purchase or otherwise assume any of the following: (i) cash and cash equivalents; (ii) certificates of deposit and other short-term investments; (iii) cost report adjustments arising from the operations of the Hospital Facilities prior to the Closing of the Transaction; (iv) estimated third-party payor settlements; (v) assets limited as to use, including those held by trustee and board-designated and donor-restricted assets; (vi) other long term investments; (vii) any accounts receivable, notes receivable, or other receivables; (viii) any proceeds receivable or received from other sources arising from the operations of the Hospital Facilities prior to the Closing of the Transaction; (ix) rights or assets held under employee benefit plans; (x) any assets of the Bert Fish Medical Center Foundation or Bert Fish Memorial Hospital Auxiliary as set forth on a schedule to the Definitive Agreement; (xi) real property owned by the District not currently used for health care purposes; or (xii) rights under any agreements of District or BFMC if such agreements are not expressly assumed by Lessee (collectively, the “Excluded Assets”).

c) Current Lease. The District currently leases the Hospital to BFMC pursuant to a lease and transfer agreement dated May 1, 1995 and amended November 4, 2003 (the “Current Lease”). Contemporaneously with the Closing of the Transaction, District and BFMC would terminate the Current Lease and BFMC, rather than transferring its assets to the District, as contemplated by the Current Lease, would transfer certain of those assets to Lessee as contemplated hereby, with the Excluded Assets to be transferred to the District or retained by

BFMC, as those parties shall agree.

2. Liabilities to be Assumed

It is intended that Lessee would assume specified liabilities, obligations and commitments of District or BFMC or their respective affiliates related to the Hospital Facilities, consisting of (i) the accrued liability for vacation and holiday benefits payable to Hospital employees (“PTO”) and (ii) other obligations arising following the Closing of the Transaction under agreements assumed by Lessee and set forth on disclosure schedules to the Definitive Agreement.

3. Lease and Other Payments

The aggregate amount payable by Lessee to District under the Definitive Agreement for the lease of the Leased Assets and the purchase of the Purchased Assets would be Fifty Million Dollars (\$50,000,000) plus an amount equal to the District’s book value of the Inventory and Prepaid Expenses (collectively the “Closing Payment”), together with all sales tax due on such payment, and subject to a mutually agreed upon post-Closing adjustment process. The book value of the Inventory and Prepaid Expenses would be calculated in accordance with the accounting standards of the Financial Accounting Standards Board (“FASB”). The Closing Payment would be payable by Lessee at closing by wire transfer of immediately available funds. The Closing Payment would be allocated among the Assets as mutually agreed upon by Lessee and District.

4. Maintenance Capital Commitment

In addition to the amounts described in Section 3, the Definitive Agreement would provide for the Lessee to make capital expenditures in an aggregate minimum amount of Fifteen Million Dollars (\$15,000,000) prior to the fifth anniversary of the Closing and an aggregate minimum amount of Forty Million Dollars (\$40,000,000) prior to the tenth anniversary of the Closing (the “Capital Commitment”).

The Definitive Agreement would provide for the development of a long-term facilities plan that will determine how the Capital Commitment funds will be applied to the Hospital Facilities (the “Capital Commitment Plan”). The Capital Commitment plan would be developed in consultation with the Advisory Board of Directors and the Medical Staff in a manner that focuses on upgrading, as well as investing in, a strategy for the growth of the Healthcare Facilities.

The Definitive Agreement would provide that Lessee shall commit to commence the process to upgrade the Hospital Facilities as set forth in the Capital Commitment Plan following the Closing of the Transaction, with construction to be commenced within two (2) years after the Closing and completed within a reasonable period of time thereafter.

5. Clinical Affiliations

The Hospital would be added to any existing and future statewide Clinical Affiliation Agreement(s) between (i) HMA and Orlando Health and (ii) HMA and Shands Healthcare, as agreed upon by the parties, where there is a logical fit to further the goals of the Hospital based on existing and planned clinical programs. HMA and the Hospital also may jointly consider

entering into clinical affiliation agreements with other academic health systems.

6. Commitment to Services and Charity Care

The Definitive Agreement would set forth Lessee's commitment to maintaining all services currently provided at Hospital throughout the Initial Term and any Renewal Term of the Lease, except upon approval from District (not to be unreasonably withheld), and upon consultation with specialists in the field, [the Medical Executive Committee], and the [Advisory Board of Directors]. The Definitive Agreement would also provide that Lessee would adopt the existing Hospital charity care and bad debt policies and apply HMA's internal policy of discounting private uninsured patient bills by at least 60% upon discharge.

7. Quality Reporting

Using publicly available national and State of Florida quality metrics, such as Medicare Clinical Outcomes and HCAHPS scores, Lessee would produce an annual report to District, which would set forth achievement rates, benchmarks and Hospital's achievement of the same, as well as annual goals and improvement plans.

8. Lease Extension

Upon expiration of the Initial Term, the Lease could be renewed, if both parties agree, for an additional twenty-five (25) year term (the "Renewal Term") subject to Lessee agreeing to pay a mutually agreed upon fair market value lease payment ("Extension Value"). In order to extend the Lease, Lessee would be required to provide notice of its request to renew not earlier than four (4) years and not later than three (3) years prior to the expiration of the Initial Term. The parties would negotiate the Extension Value in good faith in the two (2) years following Lessee's notice. Each party would engage, at its expense, a qualified independent hospital valuation expert to determine the Extension Value. Additional information regarding determination of the Extension Value will be set forth in the Lease. If the parties have not agreed upon the Extension Value on the date that is one (1) year prior to the expiration of the Initial Term, the Lease will not renew.

9. Lease Expiration

Upon the expiration or termination of the Lease, Lessee would surrender and return all of the Leased Assets in the same conditions as they were received. Upon the expiration or termination of the Lease, the District may purchase from Lessee any personal property included in the Assets, including any replacements thereof acquired during the Lease term, for net book value ("Termination Value"). The Termination Value would be calculated in accordance with the accounting standards of the FASB.

10. Closing

The closing of the Transaction (the "Closing") would take place as soon as possible after the execution of the Definitive Agreement, and the parties would use all reasonable efforts to cause

the Closing to occur as soon as practical.

11. Representations and Warranties

The Definitive Agreement would contain representations and warranties typical for transactions of this type from Lessee, District and BFMC.

12. Governing Law

The Definitive Agreement would be governed by Florida law. The Lessee would agree that any litigation with respect to the Transaction would be brought solely in state court located in Volusia County, Florida, which would have exclusive jurisdiction of all legal proceedings arising out of the Transaction.

13. Hospital Advisory Board of Directors

Following the Closing, Lessee, with guidance from the District and the Medical Staff, would appoint a Board of Directors for the Hospital which initially would be comprised of the Hospital's Chief Executive Officer, Chief of the Medical Staff, physicians on the Hospital's medical staff, members of the community, and one District Commissioner from the existing District board (so as not to conflict with the Florida Sunshine Law). The Board of Directors would be responsible for (i) participating in the development of a strategic plan for the Hospital; (ii) participating in the adoption of a vision, mission and values statement; (iii) participating in development and review of operating and capital budgets and facility planning; (iv) participating in the development and termination of Hospital services; (v) participating in periodic evaluations of the Hospital CEO; (vi) granting medical staff privileges and, when necessary, taking disciplinary action consistent with the Hospital Bylaws (with the advice of counsel); (vii) assuring medical staff compliance with Joint Commission requirements (with the advice of counsel); (viii) supporting physician recruitment efforts; and (ix) fostering community relationships and identifying service and education opportunities.

14. Employees

It is Lessee's intention to hire, and retain for at least one year, all of the Hospital's employees in good standing, including employees on military or other types of leave that provide a legal right of reemployment upon termination or expiration of such leave, in positions and at compensation levels consistent with those being provided by the Hospital immediately prior to Closing. As part of its due diligence review, Lessee will review the severance agreements in effect for the Hospital's executive management team and will agree to abide by the terms of such severance agreements. Lessee shall provide benefits comparable to those then provided to employees of HMA's other hospitals. Lessee would give credit for all service with the District or BFMC, as if such service had been with HMA and its affiliates, for purposes of eligibility to participate in, vesting and payment of benefits under employee benefit plans maintained by HMA or its affiliates, as permitted by law and the terms of each such plan. In addition, Lessee would credit Hospital employees for those year-to-date health plan deductibles already paid by Hospital employees under BFMC's group health plan. HMA would also, prior to the Closing date, conduct around the clock employee information meetings followed by on-site individual benefit

enrollment sessions to ensure a seamless transition.

15. Amount of District Tax Contribution

The Definitive Agreement would set forth District's commitment to maintaining the tax support as currently provided to Hospital. The amount of such tax support would be based on the District's annually approved budget (the "District Budget"). The District's continued tax support would continue until the earlier of Lessee's termination of the tax support or the seventh anniversary of the Closing of the Transaction as referenced in Section 16 after which the District, in its sole discretion, would terminate its tax contribution to the Lessee.

16. Elimination of District Tax Contribution

The Definitive Agreement would set forth Lessee's commitment to use all reasonable efforts to eliminate and end the tax contribution from the District as soon as possible after the Closing of the Transaction. Notwithstanding the foregoing, the Lessee would contractually commit to eliminate and end the tax contribution from the District not later than the seventh anniversary of the Closing of the Transaction.

17. Additional Covenants

The Definitive Agreement would contain other covenants and agreements as are typical for transactions of this type and agreed to by the parties.

18. Conditions to Closing

The Definitive Agreement will contain customary conditions to Closing. Without limiting the generality of the foregoing, each party's obligations under the Definitive Agreement would be conditioned upon (i) both parties' completion of due diligence; (ii) consent to termination of the Current Lease by BFMC; (iii) consent of the Bert Fish Foundation regarding the reverter clause; (iv) consent of the BFMC Board; and (v) the receipt of all necessary regulatory approvals required in connection with the consummation of the Transaction, which the parties agree to diligently pursue following execution of the Definitive Agreement.

19. Governance Under Joint Venture Option

If, by mutual agreement, the parties were to pursue the Joint Venture Option, it is contemplated that the structure would be a Florida tax-paying limited liability company ("LLC") with an ownership of at least 20% held by the District, or a subsidiary controlled by the District, and the remaining ownership being held by an HMA subsidiary. The LLC Board of Directors would consist of eight members: four (4) voting members appointed by HMA and four (4) voting members appointed by the District.

Both parties would govern the LLC equally using tiers of reserve powers as set forth in the LLC Operating Agreement (the "Operating Agreement"). Examples of District reserve powers in the Operating Agreement (that would require District's consent) would include, among other

matters: (i) amendment to any management agreement; (ii) redemption of any membership interests; (iii) change of the business purpose; (iv) change of the articles of incorporation; (v) change of the Operating Agreement; (vi) change of classification for tax purposes; (vii) change to the definition of charity care or bad debt; and (viii) distributions other than cash.

Per the Operating Agreement, the LLC's Board of Directors would annually approve an annual capital spending budget which would be funded from operating cash flows. If cash flows were less than expected capital spending, then the order of funding would be: (i) cash flow from operations; (ii) interest bearing loans from HMA; (iii) interest bearing loans from non-HMA sources; and (iii) capital calls.

Under the Joint Venture Option, the Lessee would enter into a professional services agreement with HMA pursuant to which HMA would provide certain corporate consulting services to the Hospital for a fixed fee.

20. Process

Following execution of this Letter of Intent, the parties would jointly develop a mutually acceptable process that the parties would follow for discussing the terms and conditions of the Transaction and for reviewing and exchanging drafts of the Definitive Agreement and other Transaction related documents. This process would include each party appointing particular representatives to participate in these discussions and in the review and drafting of the Definitive Agreement.

21. Exclusivity

From the date of execution of this Letter of Intent until the date which is one hundred twenty (120) days thereafter (unless such negotiations are terminated by Lessee, in which case the 120-day period shall not be applicable), District will not, and will cause BFMC to not, without the approval of Lessee (a) offer for sale or lease the Assets (or any material portion thereof) or any ownership interest in any entity owning any of the Assets, (b) solicit offers to buy or lease all or any material portion of the Assets or any ownership interest in any entity owning any of the Assets, (c) hold discussions with any party (other than HMA or Lessee) looking toward such an offer or solicitation or looking toward a merger or consolidation of any entity owning any of the Assets or (d) enter into any agreement with any party (other than Lessee or its affiliates) with respect to the lease, sale or other disposition of the Assets (or any material portion thereof) or any ownership interest in any entity owning any of the Assets or with respect to any merger, consolidation, or similar transaction involving any entity owning any of the Assets. The parties understand that if the Definitive Agreements are executed, Lessee's and HMA's rights of exclusivity thereafter will be provided by the terms of the Definitive Agreements.

22. Access

During the period from the date of this Letter of Intent until the earlier of (i) execution of the Definitive Agreement and (ii) termination or expiration of this Letter of Intent, each party will provide representatives of the other party reasonable access during normal business hours to its books, records and personnel, to allow each party to conduct and complete its ongoing due diligence investigation. The parties understand that if the Definitive Agreement is executed,

each party's right of access thereafter will be provided by the terms of the Definitive Agreement.

23. Termination

This Letter of Intent may be terminated: (i) by mutual written consent of the parties hereto or (ii) by either HMA or the District in the event of a material breach of any Binding Obligation of the other party hereto. In such event, there shall be no liability between the parties as a result of the execution of this Letter of Intent, any action taken in reliance on this Letter of Intent, or such termination, except with respect to the Binding Obligations (as defined below).

This Letter of Intent does not constitute an obligation binding in any way on the parties, except for the agreements contained under the headings "Access," "Termination," and "General" (collectively, the "Binding Obligations"), each of which constitutes a binding obligation of the respective parties.

24. General

Except as set forth in the following paragraph, the parties shall each pay their own fees and expenses and those of their brokers, agents, advisers, attorneys and accountants with respect to the negotiation, execution and delivery of this Letter of Intent, the negotiation and execution of Definitive Agreement relating to the transactions contemplated hereby and, if Definitive Agreement is executed, the consummation of the transactions contemplated by such Definitive Agreement.

The costs of transfer taxes, real estate surveys, title insurance premiums and preliminary environmental site assessments shall be borne by Lessee. The parties agree that counsel for Lessee shall be responsible for drafting the Definitive Agreement.

This Letter of Intent may be executed in one or more counterparts, including by means of facsimile, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

This Letter of Intent (as to the Binding Provisions) will be governed by and construed in accordance with the laws of the State of Florida, without regard to the conflict of laws principles of such State.

[Signature Page Follows]

If the foregoing accurately reflects your understanding of our respective present intentions, and our agreement with respect to the Binding Provisions, please so indicate by signing and returning a copy of this Letter of Intent to us.

Very truly yours,

Southeast Volusia Hospital District

By: _____

Its: _____

The foregoing terms of this Letter of Intent are hereby accepted.

Health Management Associates, Inc.

By: _____

Its: _____